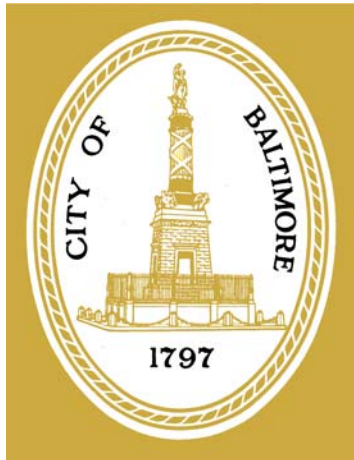


INDEPENDENT AUDITOR'S REPORT

BOARD OF LIQUOR LICENSE COMMISSIONERS

FOR THE FISCAL YEARS ENDED

JUNE 30, 2002 AND 2001



**City of Baltimore
Department of Audits**

**AUDIT REPORT
BOARD OF LIQUOR LICENSE COMMISSIONERS
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001**

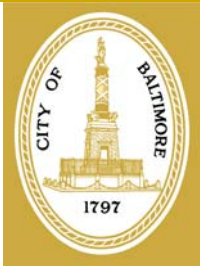
TABLE OF CONTENTS

	<u>PAGE</u>
AUDITOR'S REPORT.....	1-2
EXHIBIT A - Comparative Statement of Revenues Collected and Expenditures Arising from Cash Transactions for Fiscal Years Ended June 30, 2002 and 2001...	3
- Notes to Financial Statement.....	4-5
SCHEDULE I - Schedule of Revenues, Expenditures and Encumbrances – Budget and Actual for the Fiscal Years Ended June 30, 2002 and 2001.....	6
SCHEDULE II - Summary of Receipts and Disbursements of Appeal Fees Account for the Fiscal Years Ended June 30, 2002 and 2001.....	7
AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF A FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	8-9
SCHEDULE OF INTERNAL CONTROL FINDINGS.....	10-11
ATTACHMENT I - Status of Prior Year's Findings and Recommendations.....	12-13
EXIT CONFERENCE.....	14
AGENCY RESPONSE.....	APPENDIX I

ANNUAL FINANCIAL REPORT
OF THE
BOARD OF LIQUOR LICENSE COMMISSIONERS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2002 AND 2001

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA
City Auditor

Room 321, City Hall
Baltimore, Maryland 21202
Telephone: (410) 396-4783
Telefax: (410) 545-3961

INDEPENDENT AUDITOR'S REPORT

May 9, 2003

Honorable Joan M. Pratt, Comptroller
And Other Members of the
Board of Estimates
City of Baltimore

We have audited Exhibit A, the Board of Liquor License Commissioners' Comparative Statement of Revenues Collected and Expenditures Arising from Cash Transactions for Fiscal Years Ended June 30, 2002 and 2001. This financial statement is the responsibility of the Board of Liquor License Commissioners' management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues collected and expenditures made during the fiscal years ended June 30, 2002 and 2001, on the basis of accounting described in Note 2.

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The supporting schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement. Such

information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2003, on our consideration of the Board of Liquor License Commissioners' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Board of Liquor License Commissioners, State of Maryland, and the City of Baltimore management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

EXHIBIT A

BOARD OF LIQUOR LICENSE COMMISSIONERS
 COMPARATIVE STATEMENT OF REVENUES COLLECTED AND EXPENDITURES
 ARISING FROM CASH TRANSACTIONS
 FOR FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001	NET CHANGE INCREASE (DECREASE)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Alcoholic Beverage Licenses.....	\$ 1,675,236	\$ 1,708,655	\$ (33,419)
Liquor Board Advertising Fees.....	69,028	84,053	(15,025)
Liquor Board Fines.....	193,865	138,617	55,248
Liquor Board Late Renewal Fees.....	20,000	21,575	(1,575)
Liquor Board Reporting Fees.....	3,207	1,662	1,545
	<u> </u>	<u> </u>	<u> </u>
Total Revenues.....	<u>\$ 1,961,336</u>	<u>\$ 1,954,562</u>	<u>\$ 6,774</u>
Expenditures:			
Salaries.....	\$ 1,105,778	\$ 1,034,417	\$ 71,361
Other Personnel Costs.....	339,420	294,453	44,967
Contractual Services.....	132,996	130,475	2,521
Materials and Supplies.....	6,353	5,981	372
Equipment - Replacement.....	435	6,163	(5,728)
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures.....	<u>\$ 1,584,982</u>	<u>\$ 1,471,489</u>	<u>\$ 113,493</u>
Excess of Revenues (Expenditures).....	<u>\$ 376,354</u>	<u>\$ 483,073</u>	<u>\$ (106,719)</u>

See notes to financial statement.

BOARD OF LIQUOR LICENSE COMMISSIONERS
Notes to Financial Statement

1. Background

The Board of Liquor License Commissioners for Baltimore City (Board) is an agency of the State of Maryland and therefore is not subject to the direct supervision of the Mayor and City Council. However, the revenues from issuance of licenses are remitted to the City of Baltimore (City), and all expenditures of the Board are paid by the City.

Under the provisions of the Annotated Code of Maryland Article 2B, Section 10-202, the Board has the responsibility to assure all applicants meet the requirements for issuing licenses before certificates are issued. All licensing fees are paid directly to the Baltimore City's Director of Finance.

As of June 1, 1999, the Board became the licensing and regulatory agency for adult entertainment businesses. The jurisdiction was transferred from the Department of Housing and Community Development through City of Baltimore Ordinance 99-417, Council Bill 98-859.

2. Significant Accounting Policies

The Board's policy is to prepare its financial statement on the cash basis; consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statement does not purport to present financial position and results of operations on the accrual basis of accounting.

Encumbrances charged to the Board's appropriation accounts are not reflected in the financial statement.

3. Rates of License Fees

The following license fee rates were in effect for fiscal year 2002.

<u>License Class and Description</u>		<u>Symbol</u>	<u>Rate</u>
<i>Beer and Light Wine</i>			
Class A	Off Sale - Package Goods	WA	\$110
Class A	Off Sale - Supplemental to WA (per Sunday)	WAS	50
Class B	On Sale - Restaurant	WB	165
Class C	On Sale - Club	WC	82.50
Class C	On Sale - One Day	WS	25
Class D	On Sale - Tavern	WD	165

<u>License Class and Description</u>	<u>Symbol</u>	<u>Rate</u>
--------------------------------------	---------------	-------------

Beer, Wine and Liquor

Class A	Off Sale - Package Goods	LA	\$715
Class A-2	Off Sale - Package Goods	LA-2	715
Class A	Off Sale - Supplemental to LA (per Sunday)	LAS	50
Class B	On Sale - Restaurant	LB	1,100
Class B	On Sale - Hotel and Motel	LBHM	5,500
Class B	On Sale - Arena License	LBAL	10,000
Class B	On Sale - Racetrack (per day)	LBRL	55
Class C	On Sale - Club	LC	550
Class C	On Sale - One Day	LS	50
Class D	On Sale - Tavern	LD	687.50
Class D	On Sale – Supplemental to LD (per Sunday)	LDS	75
Class BD-7	On Sale - Special License (including amusement license)	LBD7	1,320

The following annual license fees are also applicable:

Adult entertainment establishments	\$1,000
License extension	100
Transfer license	100
Advertising fee	300
Substitution transaction	150
Off-premises catering privileges	500

The Board has the authority to assess a late charge at the rate of \$50 per day for each day that an application for renewal is filed late. The late charge assessed may not exceed \$1,500. Applications for renewal must be filed during the month of March each year.

BOARD OF LIQUOR LICENSE COMMISSIONERS
SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Alcoholic Beverage Licenses.....	\$ 1,560,000	\$ 1,675,236	\$ 115,236	\$ 1,650,000	\$ 1,708,655	\$ 58,655
Liquor Board Advertising Fees.....	80,000	69,028	(10,972)	76,000	84,053	8,053
Liquor Board Fines.....	100,000	193,865	93,865	100,000	138,617	38,617
Liquor Board Late Renewal Fees.....		20,000	20,000		21,575	21,575
Liquor Board Reporting Fees.....		3,207	3,207		1,662	1,662
Total Revenues.....	<u>\$ 1,740,000</u>	<u>\$ 1,961,336</u>	<u>\$ 221,336</u>	<u>\$ 1,826,000</u>	<u>\$ 1,954,562</u>	<u>\$ 128,562</u>
Expenditures and Encumbrances:						
Salaries and Wages.....	\$ 1,098,938	\$ 1,116,628	\$ (17,690)	\$ 1,018,782	\$ 1,035,082	\$ (16,300)
Other Personnel Costs.....	327,401	339,436	(12,035)	288,893	292,902	(4,009)
Contractual Services.....	158,975	141,953	17,022	136,879	130,475	6,404
Materials and Supplies.....	12,000	6,353	5,647	7,000	5,981	1,019
Furniture and Equipment.....	7,000	435	6,565	4,000	(8,837)	12,837
Total Expenditures and Encumbrances.....	<u>\$ 1,604,314</u>	<u>\$ 1,604,805</u>	<u>\$ (491)</u>	<u>\$ 1,455,554</u>	<u>\$ 1,455,603</u>	<u>\$ (49)</u>
Excess of Revenues Over Expenditures and Encumbrances.....	<u>\$ 135,686</u>	\$ 356,531	<u>\$ 220,845</u>	<u>\$ 370,446</u>	\$ 498,959	<u>\$ 128,513</u>
Adjustments to Conform to Cash Basis:						
Elimination of Effect of Encumbrances.....		8,956			(15,000)	
Elimination of Effect of Accruals.....		10,867			(886)	
Excess of Revenues Over Expenditures - Cash Basis.....		<u>\$ 376,354</u>			<u>\$ 483,073</u>	

SCHEDULE II

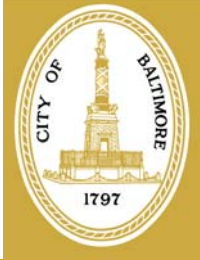
BOARD OF LIQUOR LICENSE COMMISSIONERS
SUMMARY OF RECEIPTS AND DISBURSEMENTS OF APPEAL FEES ACCOUNT
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

Cash Balance - July 1, 2000.....		\$ 2,577
Appeal Account Receipts - Appeal Fees Fiscal Year 2001.....	\$ 700	
Adjusted for 6/6/00 revenues deposited 7/25/00.....	<u>100</u>	<u>800</u>
Total To Be Accounted For.....		3,377
Disbursements:		
Bank Service Charges.....	52	
Payments.....	<u>2,110</u>	<u>2,162</u>
Cash Balance - June 30, 2001.....		<u><u>\$ 1,215</u></u>
Cash Balance - July 1, 2001.....		\$ 1,215
Appeal Account Receipts - Appeal Fees Fiscal Year 2002.....		<u>200</u>
Total To Be Accounted For.....		1,415
Disbursements:		
Bank Service Charges.....	\$ 17	
Payments.....	846	
Transfer to City to close account on 2/7/02.....	<u>552</u>	<u>1,415</u>
Cash Balance - June 30, 2002.....		<u><u>\$ -</u></u>

AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF A FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
FOR
BOARD OF LIQUOR LICENSE COMMISSIONERS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2002 AND 2001

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA
City Auditor

Room 321, City Hall
Baltimore, Maryland 21202
Telephone: (410) 396-4783
Telefax: (410) 545-3961

**AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF A FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

May 9, 2003

Honorable Joan M. Pratt, Comptroller
And Other Members of the
Board of Estimates
City of Baltimore

We have audited Exhibit A, the Board of Liquor License Commissioners' Comparative Statement of Revenues Collected and Expenditures Arising from Cash Transactions for Fiscal Years Ended June 30, 2002 and 2001, and have issued our report thereon dated May 9, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Board of Liquor License Commissioners' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board of Liquor License Commissioners' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Board of Liquor License

Commissioners' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of internal control findings as CONDITION I.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

We noted another matter involving the internal control over financial reporting and its operation that is reported as CONDITION II in the accompanying schedule of internal control findings. We also followed up on certain matters which were discussed in our prior audit report. We are reporting on these matters in Attachment I of this report.

This report is intended solely for the information and use of the Board of Liquor License Commissioners, State of Maryland, and the City of Baltimore management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

SCHEDULE OF INTERNAL CONTROL FINDINGS

REPORTABLE CONDITIONS INVOLVING INTERNAL CONTROLS

CONDITION I – ADEQUATE SEGREGATION OF DUTIES WAS NOT MAINTAINED

Adequate segregation of duties was not maintained regarding the work performed by an employee in the Board's administrative section. The duties of the Accounting Assistant II include: maintaining revenue records; preparing the Monthly Budget Reports; performing the revenue reconciliations; preparing cash deposit slips and delivering revenues to the City's Collections Division; and, retrieving the agency copies of licenses from the Collections Division. The responsibility for these duties concentrated in a single employee subjects the agency to the risk that abuse or theft could occur and not be detected by agency staff.

Properly designed and implemented internal controls include adequate segregation of duties to reduce the opportunities for someone to both perpetrate and conceal errors or irregularities in the normal course of performing his or her duties. Typically, an entity achieves adequate segregation of duties by establishing controls to prevent any person from having uncontrolled access to both assets and records. Inadequate internal controls increase the risk of misappropriation of funds or other abuses.

We recommend that the Board segregate these duties assigned to its administrative staff in an effort to achieve and maintain adequate internal controls. The administrative section is comprised of two management and five staff members. Duties involving control of assets, including preparation of cash deposit slips, delivering revenues to the Collections Division, and maintaining the Appeals Fees and Inspectors' Expense accounts should be reassigned from the Accounting Assistant to other staff members.

We note that the Board began to address these conditions in late fiscal year 2002. The Board closed the bank accounts for both the Appeals Fees and the Inspectors' Expenses in February 2002, thereby resolving the segregation of duties issues with these accounts. The responsibilities for preparing cash deposit slips and delivering cash receipts to the City's Collections Division were assigned to other employees effective at the beginning of fiscal year 2003.

OTHER MATTERS INVOLVING INTERNAL CONTROLS

CONDITION II – LEAVE TIME NOTED IN THE PAYROLL ATTENDANCE REPORTS WAS NOT SUPPORTED BY APPROVED LEAVE REQUEST FORMS

The Board of Liquor License Commissioners did not adhere to policies and procedures established by the City regarding the maintenance of payroll attendance records and related supporting documentation. We selected two pay periods during fiscal year 2002 and reviewed the payroll and its support for each of the Board's employees. We found exceptions involving lack of supporting documentation for leave usage and lack of adherence to sign-in/out procedures.

According to the Administrative Manual of the City of Baltimore, Section 204-17, all agencies are required to keep a detailed record of each employee's attendance. There must be documentation on file to support the information in the attendance record. Copies of Payroll Attendance Reports (PARs) alone are insufficient as evidence of employee time and attendance.

For fourteen of the eighty-three employees included in the pay periods selected, leave time recorded on the Payroll Attendance Report was not supported by leave request forms. For eight of the fourteen employees, unsupported leave usage was for more than one day. Additionally, there were fifty instances where employees of the Board's Inspection Division did not record their time in or out.

We recommend that the Board implement internal controls to provide support for the attendance of all its employees, including approved leave requests and adherence to sign-in/out procedures. This may be accomplished through the following:

- Enforcement of the sign-in/sign-out policy indicating times of arrival and departure as well as time of call-out from employees in the field.
- Leave time used and compensatory time earned should be indicated on the sign-in/out attendance sheet in an area designated for that purpose.
- Completed leave request and compensatory time earned forms should be kept on file for all leave time indicated on the PARs, including sick time. Appropriate approval signatures should be obtained for each leave request form.
- The payroll clerk should record attendance information on each employee's Attendance Record as required by the City's Administrative Manual.

The above mentioned records should be maintained by the payroll clerk in an orderly fashion and retained in the Board's files for a minimum of three years or until the audit for that fiscal year has been performed, whichever is later.

ATTACHMENT I
BOARD OF LIQUOR LICENSE COMMISSIONERS
FISCAL YEAR ENDED JUNE 30, 2002
STATUS OF PRIOR YEAR'S
FINDINGS AND RECOMMENDATIONS

(Findings not considered to have a material effect
on the financial statement)

ATTACHMENT I

BOARD OF LIQUOR LICENSE COMMISSIONERS FISCAL YEAR ENDED JUNE 30, 2002 STATUS OF PRIOR YEAR'S FINDINGS AND RECOMMENDATIONS

Condition I - New License Fees Were Not Prorated

As part of our fiscal year 2001 audit, we found that the Board did not adhere to policies established by the Maryland Annotated Code regarding the collection of prorated license fees for new licensees.

Current Audit Status

We did not find any instances of this condition during fiscal year 2002. This finding has been resolved.

Condition II – Adequate Segregation Of Duties Was Not Maintained

As part of our fiscal year 2001 audit, we found that there was a lack of segregation of duties regarding the work performed by the Accounting Assistant II. Her duties included: maintaining revenue records; preparing the Monthly Budget Reports; performing the revenue reconciliations; preparing cash deposit slips and delivering revenues to the City's Collections Division; retrieving the agency copies of licenses from the Collections Division; maintaining the Appeals checking account; maintaining the Inspectors' Expense checking account; and, issuing reimbursement checks to inspectors.

Current Audit Status

Although the Appeal Fees and Inspectors' Expense checking accounts were closed during fiscal year 2002, the responsibility for the other duties remained with the Accounting Assistant II. Therefore, we noted a similar finding during fiscal year 2002 and have included this as Condition I in this report.

Condition III – There Was A Lack Of Adequate Internal Controls Over The Reimbursement Of Inspectors' Expenses

As part of our fiscal year 2001 audit, we noted that inspectors' expense reports included expenses that were not supported by adequate documentation, were not submitted on a timely basis and included non-work related mileage.

Current Audit Status

We did not find any instances of this condition during fiscal year 2002. This finding has been resolved.

Condition IV – Receipts For Canceled Fees Were Not Always Properly Voided

As part of our fiscal year 2001 audit, we noted an instance where the customer receipt maintained by the Board was not properly voided.

Current Audit Status

We did not find any instances of this condition during fiscal year 2002. This finding has been resolved.

Condition V - Checking Account Was Not Reconciled To The Bank Statement Balance At June 30, 2001

As part of our fiscal year 2001 audit, we found that the Inspectors' Expense checking account was not reconciled to the bank statement at June 30, 2001.

Current Audit Status

Since this account was closed in February 2002, this finding has been resolved.

Condition VI – Underlying Time Records Did Not Support Payroll Attendance Report Information

As part of our fiscal year 2001 audit, we found that the Board did not adhere to policies and procedures established by the City regarding the maintenance of payroll attendance records and related supporting documentation.

Current Audit Status

We noted a similar finding during fiscal year 2002 and have included this as Condition II in this report.

EXIT CONFERENCE

An exit conference was held at the offices of the Board of Liquor License Commissioners on June 4, 2003. Those in attendance were:

Nathan C. Irby, Jr.
Jane M. Schroeder
Michael R. Maguire
Jack P. Evans

Board of Liquor License Commissioners
Board of Liquor License Commissioners
Baltimore City Department of Audits
Baltimore City Department of Audits

Audit findings and recommendations were discussed. The Board of Liquor License Commissioners responded in writing to this audit report. The Board's response is included as Appendix I of this report.

APPENDIX I

BOARD OF LIQUOR LICENSE COMMISSIONERS' RESPONSE TO THIS REPORT

LEONARD R. SKOLNIK
CHAIRMAN

COMMISSIONERS
CLAUDIA L. BROWN
MARK S. FOSLER



NATHAN C. IRBY, JR.
EXECUTIVE SECRETARY

JANE M. SCHROEDER
DEPUTY EXECUTIVE SECRETARY

STATE OF MARYLAND

BOARD OF LIQUOR LICENSE COMMISSIONERS

FOR BALTIMORE CITY
SUITE 200, 10 SOUTH STREET

BALTIMORE, MARYLAND 21202-3258

(410) 396-4377

FAX (410) 396-4382

June 6, 2003

Yovonda D. Brooks, CPA
City Auditor
100 N. Holliday Street
Baltimore, Maryland 21202

Re: Reportable Conditions

Dear Ms. Brooks:

This letter is written in response to conditions identified in the auditor's report for the Board of Liquor License Commissioners for the period ending June 30, 2002 and 2001.

CONDITION I – ADEQUATE SEGREGATION OF DUTIES WAS NOT MAINTAINED

The Board acknowledges that adequate segregation of duties had not been maintained in the past. Since the 2002 meeting concerning the audit, however, every effort has been made to segregate the duties of the Accounting Assistant. The agency no longer accepts cash payments of any kind and has worked diligently to have other employees prepare and record receipts, prepare cash deposit slips and carry deposits to the Municipal Building. The administrative staff has also worked extensively with the COBweb team of the Mayor's Office of Information Technology to design a web based receipt system for payments collected at the Liquor Board Office. That system has now been installed and is being used to generate a receipt with a payment scan line. The receipt will be scanned by the Collections Bureau and that deposit information will be reflected on the web based reconciliation report which is part of the system. Members of the MOIT-COBweb team have worked with both the Liquor Board and the Bureau of Collections to develop a system which meets the needs of both agencies.

The system is presently being test run with the current written receipt system as a back up until the end of June. Effective July 1, 2003, all receipts will be generated using the new receipt

Page 2

system. This system will replace preparation of the current cash deposit slip and will further support the segregation of duties of the Accounting Assistant. That employee is neither authorized to generate receipts in the system nor to void them. Her duties will continue to be reconciliation of the deposits made by the Liquor Board with the information recorded by the Bureau of Collections.

**Condition II – LEAVE TIME NOTED IN THE PAYROLL ATTENDANCE REPORTS
WAS NOT SUPPORTED BY APPROVED LEAVE REQUEST FORMS**

The Board acknowledges that there continues to be some problem concerning leave request forms and sign in by some employees. A memo has been distributed to all full time employees emphasizing the importance of signing in and out on a daily basis and submitting leave requests to use accumulated leave. Copies of the Administrative Manual policies concerning the various types of leave as well as the City's attendance monitoring policy have been given to all full time employees. This information was distributed at an office staff meeting and will be discussed at an inspection staff meeting.

It is the agency's intention to have all employees comply with the requirements concerning signing in and out and completing leave request forms.

Very truly yours,

Nathan C. Irby, Jr.
Executive Secretary